

## Message Text

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ACTION TRSE-00

INFO OCT-01 EUR-12 IO-14 ISO-00 AID-05 CIAE-00 COME-00  
EB-08 FRB-01 INR-10 NSAE-00 ICA-20 XMB-04 OPIC-06  
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07  
CEA-01 PA-02 AGRE-00 /119 W  
-----119972 060548Z /20

R 050700Z APR 78  
FM AMEMBASSY BERN  
TO SECSTATE WASHDC 6033  
INFO AMEMBASSY BONN  
AMEMBASSY BRUSSELS  
USMISSION GENEVA  
AMEMBASSY LONDON  
AMEMBASSY PARIS  
AMEMBASSY ROME  
AMCONSUL ZURICH POUCH

UNCLAS BERN 1525

USMTN ALSO FOR MISSION

USOECN ALSO FOR EMBASSY

PASS TREAS AND FRB

E.O. 11652: N/A  
TAGS: EFIN, SZ  
SUBJECT: SWISS FINANCIAL REVIEW: WEEK OF MARCH 26 TO APRIL 1, 1978

1. SUMMARY: DOLLAR RATE AGAINST SWISS FRANC FELL TO  
SF 1.8590; GOLD PRICE DECLINED TO \$181.50 PER OUNCE.  
PRESS HIGHLIGHTED NEW IMF AGREEMENT. SWISS NATIONAL  
BANK ISSUED NEW 1000 FRANC NOTE. SNB END MARCH BALANCE  
SHEET TOTAL WAS 3.1 PERCENT ABOVE END FEB. FEDERAL  
COUNCILOR HONEGGER SAID FIRESTONE TIRE PLANT MIGHT  
BE KEPT OPEN. SWISS ECONOMIC INDICATORS IN FEB  
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SHOWED CONTINUED ECONOMIC GROWTH, THOUGH LOWER IMPORTS  
OF RAW MATERIALS INDICATED EXPECTATION OF SLOWER  
EXPORT GROWTH. END SUMMARY.

2. FOREIGN EXCHANGE AND GOLD: DEALERS ATTRIBUTED  
SLIGHT RISE IN DOLLAR RATE AGAINST SF AT MID-WEEK TO  
POSTPONEMENT OF OPEC MINISTERS MEETING AND ABRUPT

DOLLAR FALL FRI. TO REPORT OF RECORD U.S. FEB. TRADE DEFICIT. SAID STATEMENT BY US FRB CHAIRMAN OPPOSING "BRIDGING ACTIONS" TO SUPPORT DOLLAR UNLESS COUPLED WITH ACTIONS ON FUNDAMENTAL ISSUES AND UPWARD PRESSURE ON YEN CONTRIBUTED TO HECTIC MARKET CONDITIONS FRI. GOLD PRICE FELL TO \$179 PER OUNCE THURS. FOLLOWING NEW YORK MARKET TREND AND RUMORS OF POSSIBLE US TREAS GOLD SALES. MARKET BECAME HECTIC FRI. IN REACTION TO DOLLAR MOVEMENTS. DEALERS EXPECT GOLD TO RISE TO 185 IF HECTIC CONDITIONS CONTINUE. RATES FOLLOW:

	3/28 (OPEN)	3/31 (CLOSE)
SPOT DOLLAR	1.8725	1.8590
FORWARD DISCOUNTS		
(PCT PER ANNUM)		
1 MONTH	6.85	7.62
2 MONTHS	6.91	7.26
3 MONTHS	7.00	7.10
6 MONTHS	6.78	6.99
12 MONTHS	6.35	6.51
SF/DM	92.74	92.25
GOLD	183.00	181.50

3. OPINION: PRESS HIGHLIGHTED NEW IMF AGREEMENT REPLACING BRETTON WOODS SYSTEM THAT CONSOLIDATES FLOATING EXCHANGE RATES. AGEFI EDITORIAL EXPECTED DOLLAR TO UNCLASSIFIED

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DEPRECIATE FURTHER AS PART OF US EFFORT TO PRESSURE JAPAN INTO INCREASING IMPORTS; WARNED THAT DOLLAR DEPRECIATION WEAKENS WEST GERMAN EXPORT CAPABILITIES THAT ARE KEY TO INCREASED GERMAN GROWTH US DESIRES. NEUE ZUERCHER ZEITUNG REPORTED THAT US LONG-TERM PROGRAM TO REDUCE TRADE DEFICIT AND STRENGTHEN DOLLAR IS CAPTIVE TO CONGRESSIONAL ACTION ON ENERGY WHILE ADMINISTRATION HESITATES ON INFLATION. SAID THAT IS WHY FORMER FRB CHAIRMAN BURNS ADVOCATED SALE OF USG GOLD AND SECURITIES FOR FOREX AS ONLY VIABLE MEANS TO SUPPORT DOLLAR.

4. CAPITAL AND MONEY MARKETS: (A) STOCK PRICES STABILIZED, S&P 500 SHARE INDEX ROSE 1.2 PERCENT TO CLOSE AT 245.3. TRADING WAS FLAT AS FOREIGN INVESTORS HELD ON TO SWISS SHARES; PRICES OF SWISS STOCK TRADED ON FOREIGN MARKETS ARE EXPECTED TO RISE. AVERAGE YIELD CONFEDERATION BONDS SLIPPED TO 2.49. ELECTROWATT, ZURICH, BORROWING AT 3 PERCENT TO REFINANCE OLD OUTSTANDING LOAN WAS SUCCESSFUL. SWISS BANKS ARE LISTED AMONG BORROWERS RAISING SF 1.57 BILLION IN SECOND QUARTER LOAN EMISSIONS: CREDIT SUISSE WILL

RAISE SF 200 MILLION IN MID-APRIL; SWISS BANK CORP AND UNION BANK WILL EACH BORROW SF 100 MILLION IN LAST HALF JUNE; DOW BANKING CORP SF 50 MILLION; BANQUE DE PARIS AND DE PAYS BAS (SWITZ) AND BANCA DEL GOTTARDO WILL EACH BORROW SF 20 MILLION.

(B) SNB ISSUED NEW 1000 FRANC NOTE WITH PORTRAIT OF AUGUSTE FOREL, SWISS PSYCHIATRIST, NEUROLOGIST, ENTOMOLOGIST AND ARDENT PACIFIST WHO DIED IN 1931. NEW 100 FRANC NOTE WAS ISSUED IN 1976 AND 500 FRANC NOTE IN 1977; NEW 50 FRANC NOTE WILL BE ISSUED OCT 1978; NEW BILLS OF 10 AND 20 FRANCS WILL BE ISSUED IN 1979. NEW BILLS HAVE FEATURES MAKING THEM DIFFICULT TO COUNTERFEIT.

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5. SNB STATEMENT: END MAR SNB BALANCE SHEET TOTAL WAS 3.1. PERCENT ABOVE END FEB AND 6.4 PERCENT ABOVE END MAR 1977. FOREX HOLDINGS ROSE 1.5 PERCENT IN MAR AND WERE 27.9 PERCENT ABOVE END MAR 1977. NOES IN CIRCULATION WERE UP 0.6 PERCENT IN MAR AND WERE 4.1 PERCENT ABOVE END MAR 1977. GIRO ACCTS WERE 9.1 PERCENT ABOVE END MAR 1977.

CHANGE FROM FEB 28 (IN MILLIONS OF SF)

ASSETS

GOLD	11,904	--	--
FOREX	20,114	UP	290
ROOSA BONDS	3,497	DOWN	175
DISCOUNTED PAPER	636	UP	388
LOMBARD LOANS	219	UP	208
OTHER	942	UP	431

LIABILITIES

NOTES IN CIRCULATION	19,425	UP	123
GIRO ACCTS	11,334	UP	2,369
SIGHT DEPOSITS	2,847	DOWN	63
STERILIZATION PAPER	2,074	DOWN	1,376
OTHER	1,632	UP	89
BALANCE SHEET TOTAL	37,312	UP	1,142

6. FIRESTONE: FEDERAL COUNCILOR HONEGGER (ECONOMIC DEPT) SAID AFTER MEETING WITH BASEL OFFICIALS THAT IT SHOULD BE POSSIBLE TO KEEP FIRESTONE TIRE PLANT OPEN (BERN 1440). DELEGATION OF BASEL PARLIAMENTARY REPRESENTATIVES, NATIONAL ECONOMIC POLICY ADVISER JUCKER AND SWISS AMBASSADOR IN WASHINGTON PLAN TO VISIT FIRESTONE IN US TO PROPOSE PLAN TO MAINTAIN PRODUCTION. SWISS MILITARY, RAILROAD AND PTT PURCHASE SF 5 MILLION IN TIRES ANNUALLY FROM FIRESTONE, NEARLY UNCLASSIFIED

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10 PCT OF PRODUCTION. GOVT ORDERS MIGHT INCREASE. AUTOMOBILE MOTOREN AG (IMPORT AND SERVICE OF VW AND AUDI) REPORTEDLY IS PREPARED TO BUY 250,000 TIRES ANNUALLY. HONEGGER NOTED THAT ANOTHER SMALL FIRM PRODUCES TIRES NEAR BASEL; SAID CONTINUED PRODUCTION MUST BE ECONOMICAL. PRESS STRESSED GOVT INTEREST AND ACTION IN FIRESTONE CASE SHOWS NEW POLICY OF GOVT INVOLVEMENT IN ECONOMY. ESPECIALLY TL PROTECT JOBS.

7. INVESTMENT INCENTIVE: FEDERAL COUNCIL SENT PARLIAMENT TEXT OF GOVT ASSISTANCE PROGRAM FOR INDUSTRIAL INNOVATION AND DIVERSIFICATION IN ECONOMICALLY DEPRESSED REGIONS. GOVT WOULD HAVE SF 30 MILLION AVAILABLE OVER TEN YEARS TO SUBSIDIZE INTEREST PAYMENTS 6 TO 10 YEARS AND WOULD BE AUTHORIZED TO PROVIDE GUARANTEES FOR UP TO 15 YEARS FOR TOTAL SF 250 MILLION. BANK LOANS MUST BE AT LOW INTEREST FOR FIRM TO QUALIFY FOR ASSISTANCE WHICH WOULD BE PROVIDED EQUALLY BY CANTON AND FED GOVT. GOVT COULD ALSO PROVIDE TAX RELIEF IF FIRMS REQUEST ADDITIONAL ASSISTANCE THROUGH THEIR BANKS, AND IF CANTON ALSO GIVES TAX RELIEF. PROGRAM WOULD BE MANAGED BY FED OFFICE FOR INDUSTRY, TRADES AND LABOR.

8. ECONOMIC INDICATORS: IMPORTS FELL 0.3 PCT IN FEB WHILE EXPORTS ROSE 4.6 PCT TO PRODUCE SF 47.9 MILLION TRADE SURPLUS; COMBINED JAN/FEB TRADE SHOWED SF 159.9 MILLION DEFICIT. UNEMPLOYMENT FELL 2.9 PCT IN FEB TO 14,442, 14.8 PCT BELOW END FEB 1977. NUMBER OF UNFILLED JOBS ROSE 15 PCT IN FEB; WAS 50 PCT ABOVE END FEB 1977. CPI INDEX ROSE 0.1 PCT IN FEB; WAS 1.1 PCT ABOVE END FEB 1977. WPI DECLINED 0.3 PCT IN FEB; WAS 2.8 PCT BELOW END FEB 1977. NEW HOUSING COMPLETIONS INCREASED 50.2 PCT IN FEB; WERE 66.8 PCT ABOVE END FEB 1977. NEW BUILDING PERMITS FOR HOUSING ROSE OVER 2 PERCENT IN FEB AND ON ANNUAL BASIS. NOMINAL RETAIL SALES ROSE 1.2. PCT IN FEB COMPARED TO UNCLASSIFIED

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5.9 PCT IN FEB 1977. OVERNIGHT HOTEL STAYS IN JAN/FEB WERE 5 PERCENT ABOVE SAME PERIOD 1977. WARNER

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## Message Attributes

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